Councilmember Carl DeMaio

FIFTH DISTRICT

CITY OF SAN DIEGO

MEMORANDUM

DATE: December 3, 2009

TO: Mark Hovey, Interim Administrator

FROM: Councilmember Carl DeMaio Carl DeMaio

RE: Supplements to June 30, 2009 Actuarial Valuation

As you are probably well aware, the City of San Diego currently faces a significant budget deficit for FY 2011, and furthermore faces deficits spanning the length of its entire financial forecast and beyond.

As you are also probably aware, one of the main drivers of these deficits is the projected increases to the city's ARC payments that continue through FY 2025.

In the June 30, 2008 actuarial valuation, Cheiron notes an assumed salary increase rate of 4%. Conversely, the city is now budgeting under the assumption that salaries will be frozen citywide through FY 2015.[1] Additionally, actuarial gains from an implemented salary freeze, among other items, have been built into the recently proposed budget for an on-going savings of $12 million ($9.6 million in the General Fund).[2]

In anticipation of the release of the SDCERS June 30, 2009 actuarial valuation this month, I request that SDCERS provide the City Council with the following supplemental information if the actuarial valuation does not already include it.

- 30 year actuarial projections (including annual values for the ARC, UAL and city contributions as a % of payroll) using the city's salary freeze assumption through 2015, followed by the resumption of Cheiron's salary assumptions thereafter.

- 30 year actuarial projections (including annual values for the ARC, UAL and city contributions as a % of payroll) using the city's salary freeze assumption through the year 2020, followed by the resumption of Cheiron's salary assumptions thereafter.

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[1] IBA Review of the Mayor's Five-Year Financial Outlook, FY 2011 – 2015, Pg. 10.

[2] City of San Diego Report to the City Council. Report No. 09-167, pg. 11.

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- 30 year actuarial projections (including annual values for the ARC, UAL and city contributions as a % of payroll) based on a 15% reduction in force (general membership only) due to successful implementation of reforms such as Managed Competition, effective on July 1, 2011.

  While this may be somewhat difficult to comprehensively estimate without specifying operational functions potentially subjected to competitive bidding, using a sample composed of a cross-section of general membership should provide a reasonable estimate of the impact to the pension liability from enacting reforms.